

Message Text

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ACTION EB-08

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ITC-01 SP-02 USIA-06 AGRE-00 AID-05 CIAE-00
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E.O. 11652: N/A
TAGS: UNCTAD ETRD
SUBJECT: FURTHER DETAILS ON EC COMMISSION THINKING
REGARDING NATURAL RUBBER AGREEMENT

REFERENCE: (77)BRUSSELS 18716

1. EC COMMISSION OFFICIAL ATTENDING UNCTAD MEETING IN
GENEVA DISCUSSED CURRENT THINKING WITHIN COMMISSION ON
NATURAL RUBBER AGREEMENT WITH MISSION OFFICER. SOME OF
THESE IDEAS HAVE BEEN PROPOSED BEFORE, ALSO WITHIN THE USG.

2. ACCORDING TO THIS OFFICIAL'S VIEW, THE EC IS THINKING
OF A SCHEME IN WHICH THE ONLY MENTION OF A SPECIFIC PRICE
IS THE TREND PRICE--PROBABLY 180 MC/KG. A BAND WOULD BE
SET ON EITHER SIDE OF THE TREND PRICE FOR THE TRIGGERING
OF BUFFER STOCK ACTIONS. HOWEVER, THIS WOULD BE EXPRESSED
IN PERCENTAGE RATHER THAN ABSOLUTE TERMS. IT COULD BE AS
WIDE AS 150 TO 210, OR 16.6 ON EACH SIDE. THE ADVANTAGE,
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AS THE EC COMMISSION SEES THIS APPROACH, IS THAT NO MENTION
IS MADE OF SPECIFIC CRITERIA ESTABLISHING THE LOWER TRIGGER
POINT, I.E. THE DISCUSSION OF COSTS OF PRODUCTION TO BE
COVERED BY A SCHEME COULD BE AVOIDED. LIKewise FOR THE
UPPER TRIGGER POINT THERE WOULD BE NO DISCUSSION OF THE
COMPETITIVE PRICE FOR SYNTHETICS. ONLY THE TREND PRICE
IS IMPORTANT.

3. PRICE ADJUSTMENTS WOULD COME ABOUT MORE OR LESS AUTOMATICALLY THROUGH RULES RELATING TO BUFFER STOCK ACTIVITY. IN OTHER WORDS, IF AT THE LOWER INTERVENTION POINT THE BUFFER STOCK MANAGER INTERVENED TO PROTECT THE FLOOR AND EXHAUSTED HIS FUNDS AND PRICES CONTINUED TO FALL, THIS WOULD BE A SIGNAL THAT THE TREND PRICE HAD MOVED DOWNWARD AND THAT THE ENTIRE STRUCTURE SHOULD BE READJUSTED TO THAT NEW LEVEL. LIKEWISE ON THE HIGH SIDE, IT WOULD ALSO FOLLOW THAT IF THE BUFFER STOCK WERE EXHAUSTED AND THE PRICE CONTINUED UPWARD, THIS WOULD BE A SIGNAL THAT THE LONG TERM PRICE TREND HAD MOVED UPWARD AND THE SYSTEM SHOULD BE ADJUSTED UPWARD TO COMPENSATE.

4. ON THE LOWER SIDE, THE EC COMMISSION NOW AGREES WITH THE US POSITION THAT SUPPLY MANAGEMENT TECHNIQUES SHOULD BE RULED OUT. THEY WOULD, HOWEVER, PROPOSE A GUARANTEE OF ADDITIONAL FUNDS FOR EMERGENCY SITUATIONS WHERE IT WAS FELT THAT FURTHER PURCHASES BY THE BUFFER STOCK MANAGER COULD HELP TO PROP UP THE PRICE DUE TO A TEMPORARY IMBALANCE. THIS IS NOT YET THOROUGHLY THOUGHT OUT.

5. THE COMMISSION HAS NOT YET GIVEN MUCH THOUGHT TO HOW THE MEETINGS WILL PROCEED DURING THE REST OF THE WEEK ONCE COUNTRIES HAVE ANNOUNCED THEIR DECISION ON PARTICIPATION IN A NEGOTIATION. THERE IS SOME FEELING THAT PERHAPS LIMITED OFFICIAL USE

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COUNTRIES SHOULD BE ASKED TO ELABORATE ON THEIR OWN VIEWS ON THE MECHANISMS FOR THE STABILIZATION AGREEMENT. ALSO A DECISION MAY HAVE TO BE REACHED ON PROCEDURES IN DRAFTING UP AN AGREEMENT PRIOR TO THE OFFICIAL START OF NEGOTIATIONS.

6. THESE ARE VERY PRELIMINARY VIEWS OF THE COMMISSION STAFF ONLY AND THEY HAVE ONLY JUST BEGUN THE PROCESS OF DISCUSSING THESE WITH MEMBER STATES. THEY DO INTEND TO DISCUSS THESE VIEWS FURTHER WITH US REPRESENTATIVES IN BRUSSELS AND PERHAPS IN WASHINGTON AT A LATER DATE. FOR THE TIME BEING IT WOULD BE APPRECIATED IF THIS INFORMATION WERE HELD CLOSELY AND NOT DISCUSSED WITH EITHER EC OFFICIALS OR OFFICIALS IN OTHER STATES MEMBERS. VANDEN HEUVEL

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